

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Breitung Township School District	County Dickinson
Fiscal Year End 6-30-2006	Opinion Date 9-27-2006	Date Audit Report Submitted to State 11-1-2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

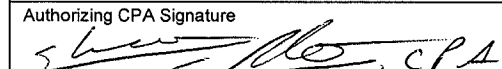
YES ☒ NO ☐

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	n/a	
Other (Describe)	<input checked="" type="checkbox"/>	n/a	
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-774-4300	
Street Address Po Box 828		City Iron Mountain	State MI
		Zip 49801	
Authorizing CPA Signature 		Printed Name Shane M. Ellison, CPA	
		License Number 263063	

**BREITUNG TOWNSHIP SCHOOL DISTRICT**

**REPORT ON FINANCIAL STATEMENTS**  
(with additional information)

For the Year Ended June 30, 2006

# BREITUNG TOWNSHIP SCHOOL DISTRICT

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**ANDERSON, TACKMAN & COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

*A Regional Firm with Offices in Michigan and Wisconsin*

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L. Robert Schaut, CPA  
David J. Johnson, CPA  
Shane M. Ellison, CPA

Member of:  
Private Companies Practice Section  
American Institute of Certified  
Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Breitung Township School District  
Kingsford, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Breitung Township School District ("District") as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Board of Education and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the District's Board of Education and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Breitung Township School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the required supplemental information identified in the table of contents are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of federal financial awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedule of federal financial awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants

Iron Mountain, Michigan  
September 27, 2006

Breitung Township School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2006

Breitung Township School District's Management Discussion and Analysis is intended to assist the reader to focus on significant financial issues, provide an overview of the District's financial activity, and identify changes in the District's financial position including its ability to address the next and subsequent years' challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2006.

***Management's Discussion and Analysis (MD&A)***  
(Required Supplemental Information)

Basic Financial Statements

***District-Wide Financial Statements***

***Fund Financial Statements***

Notes to the Basic Financial Statements

***(Required Supplemental Information)***  
(other than MD&A expanded)

As mentioned, GASB 34 requires the presentation of two basic types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

**District-Wide Financial Statements**

The District-Wide Financial Statements provide a perspective of the District as a whole. These financial statements use the full accrual basis of accounting similar to private sector companies. There are two District-Wide Financial Statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets combines and consolidates governmental funds: current financial resources (short-term available resources) with capital assets and long-term obligations, regardless of their current availability.

Consistent with the full accrual basis method of accounting, the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various District services.

Breitung Township School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2006

**Fund Financial Statements**

The Fund Financial Statements are similar to financial presentations of years past, but the new focus is on the District's Major Funds rather than fund types as in the past. The two Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. Consistent with previous years, the fund statements are reported using the modified accrual method of accounts. Under this basis of accounting, revenues are recorded when received, except when they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period those goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures in the current year, and future debt obligations are not recorded.

Fund types include the General Fund, School Service Fund, Debt Retirement Fund, Capital Projects Fund, and Fiduciary Fund. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived from property taxes, state and federal distributions and grants, and other intergovernmental revenues. The School Service Fund is comprised of Athletic Activities and Food Service. The Debt Retirement Fund is used to record the funding and payment of principal and interest on bonded debt. The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction, or improvements of major capital facilities. The Fiduciary Funds account for assets held by the District in a trustee capacity, or as an agent for various student groups and related activities.

Breitung Township School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2006

**Financial Analysis of the District as a Whole**

Summary of Net Assets

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
<b>Assets:</b>		
Current assets	\$ 4,791,196	\$ 4,996,097
Other assets	41,268	44,708
Net capital assets	<u>18,681,281</u>	<u>19,262,131</u>
<b>Total assets</b>	<u>23,513,745</u>	<u>24,302,936</u>
<b>Liabilities:</b>		
Current liabilities	5,105,676	4,354,987
Long term liabilities	<u>17,930,495</u>	<u>19,531,527</u>
<b>Total liabilities</b>	<u>23,036,171</u>	<u>23,886,514</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	(638,941)	(838,399)
Restricted for debt service	424,814	436,338
Unrestricted	<u>691,701</u>	<u>818,483</u>
<b>Total net assets</b>	<u>\$ 477,574</u>	<u>\$ 416,422</u>

The School District's net assets were \$477,574 at June 30, 2006, compared to \$416,422 at June 30, 2005. Total net assets can be separated into three categories: invested in capital assets, net of related debt, restricted assets for debt service, and unrestricted assets.

Net capital assets are a combination of funds available for capital assets less accumulated depreciation and related debt. The original cost of capital assets was \$28,635,335 at June 30, 2006, and \$28,556,828 at June 30, 2005. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less any estimated salvage value, expensed over the estimated use life of the assets. Total accumulated depreciation was \$9,954,054 at June 30, 2006, and \$9,294,697 at June 30, 2005. Total debt related to capital assets was \$19,320,222 at June 30, 2006, and \$20,100,530 at June 30, 2005.

Restricted assets for debt are funds, by their nature, restricted for use by laws or regulations by the State of Michigan. These funds totaled \$424,814 at June 30, 2006, compared to \$436,338 at June 30, 2005.



Breitung Township School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2006

The remaining balance in unrestricted assets represents an excess balance of \$691,701 at June 30, 2006, and \$818,483 at June 30, 2005.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the District-Wide results of operations for the years ended June 30, 2006 and June 30, 2005 is as follows:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Program revenue		
Charges for services-local	\$ 655,350	\$ 760,809
Operating grants - federal state local	<u>787,049</u>	<u>660,148</u>
Total program revenue	<u>1,442,399</u>	<u>1,420,957</u>
General revenue		
Property taxes levied for general operations	4,342,017	4,450,584
Property taxes levied for debt service	2,141,600	2,185,675
State of Michigan aid, unrestricted	9,103,930	9,247,863
Other- federal, state and local	<u>295,498</u>	<u>293,429</u>
Total general revenue	<u>15,883,045</u>	<u>16,177,551</u>
Total revenue	<u>17,325,444</u>	<u>17,598,508</u>
Expenses		
Instruction	9,177,572	9,143,042
Support services	4,762,142	5,348,389
Community service	124,011	115,601
School service	1,193,771	1,283,106
Interest on long term debt	1,347,439	1,423,514
Depreciation (unallocated)	<u>659,357</u>	<u>708,270</u>
Total expenses	<u>17,264,292</u>	<u>18,021,922</u>
Increase in net assets	61,152	(423,414)
Net Assets July 1	<u>416,422</u>	<u>839,836</u>
Net Assets June 30	<u>\$ 477,574</u>	<u>\$ 416,422</u>

Breitung Township School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2006

**GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS**

The overall condition of the governmental funds has decreased during June 30, 2006 and during June 30, 2005. In the General Fund, the excess of expenditures over revenues totaled \$191,732 during fiscal year June 30, 2006, and \$765,076 during fiscal year June 30, 2005. The primary factors that contributed to this were a decrease in student enrollment and a flat foundation allowance of funding by the State of Michigan.

**MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS**

The District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments are known. The most significant fund budgeted is the General Fund operations. The General Fund operating budget was amended three times during fiscal year 2006.

**General Fund Operations**

In the General Fund operations, the actual revenue for fiscal year June 30, 2006 was \$14,155,779. This is above the original budget of \$14,127,040 and above the final budget of \$14,137,630 - a variance of 0.13%. The actual expenditures of the general fund for fiscal year June 30, 2006 operations were \$14,096,169. This is below the original budget of \$14,352,196 and below the final budget of \$14,300,983 - a variance of 1.43%.

The variances between the actual revenues and the original and final revenue budgets are due primarily to the following.

- more than anticipated amount for child care center revenue
- more than anticipated amount for earnings on investments
- more than anticipated amount for facility rentals

The variances between the actual expenditures and the original and final expenditure budgets are due primarily to the following.

- less than anticipated amount for employee salaries
- less than anticipated amount for utility expenses

Breitung Township School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2006

**GOVERNMENTAL FUND EXPENDITURES**

Below is a summary of the governmental fund expenditures and their percentages as they relate to total governmental funds:

	Total Expenditures June 30, 2006	Percentage	Total Expenditures June 30, 2005	Percentage
General Fund	\$ 14,096,169	79.68%	\$ 14,835,413	79.56%
Public Improvement	193,395	1.09%	315,763	1.69%
Nonmajor Funds	3,402,271	19.23%	3,495,183	18.74%
Total Expenditures	<u>\$ 17,691,835</u>	<u>100.00%</u>	<u>\$ 18,646,359</u>	<u>100.00%</u>

**TOTAL REVENUES**

Below is a summary of the governmental fund revenues and their percentages as they relate to governmental funds.

	Total Revenue June 30, 2006	Percentage	Total Revenue June 30, 2005	Percentage
State of Michigan Aid unrestricted	\$ 9,103,930	52.55%	\$ 9,247,863	52.55%
Prop taxes general operation	4,342,017	25.06%	4,450,584	25.29%
Operating grants federal state local	787,049	4.54%	660,148	3.75%
Prop taxes debt retirement	2,141,600	12.36%	2,185,675	12.42%
Charges for services - local	655,350	3.78%	760,809	4.32%
Other federal state local	295,498	1.71%	293,429	1.67%
Total Revenues	<u>\$ 17,325,444</u>	<u>100.00%</u>	<u>\$ 17,598,508</u>	<u>100.00%</u>

**Breitung Township School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2006**

**Unrestricted State Aid**

The District is predominately funded by State Aid based on a blended count formula that the State of Michigan utilizes. State revenues to the District have decreased as a result of decreased enrollment from the previous year. State aid membership was 1901 for fiscal year June 30, 2006 and 1966 for fiscal year June 30, 2005.

**Property Taxes**

The District levies 18 mills of property taxes on all Non-Homestead property located within the District for General Fund operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value.

The District levied 5.1 mills of property taxes on all classes of property located within the District for bonded debt retirement. The levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations.

**Operating Grants Federal, State, and Local**

The primary sources are the Federal Title One Program, the State funded At Risk Program and the Special Education Obligation funds required under the Headlee Amendment, State of Michigan legislation. Both Title One and At Risk Programs assist students who are deemed to be at risk in the instruction process. For the 2005-2006 fiscal year, the District has utilized \$169,594 and \$222,205 for the Title One and the State At Risk programs. For fiscal year 2006 the State, under the Headlee amendment, is obligated to remit to the District \$355,458.

**ENROLLMENT**

The District's 2005-2006 fall enrollment was 1889. This is a decrease of 68 students from the previous year. Breitung Township School District is located in Michigan's Upper Peninsula. The area is currently experiencing an economic downturn. Some employers in the area have closed their doors, with others reducing their labor force. As a result of this, families have moved out of the area. In addition the county is experiencing a declining birth rate from previous year.

Breitung Township School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2006

Enrollment changes over the last ten years can be illustrated as follows:

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>in Student Enrollment</u>
2006	1889	(68)
2005	1957	(63)
2004	2020	(92)
2003	2112	(25)
2002	2137	(26)
2001	2163	(22)
2000	2185	(12)
1999	2197	(41)
1998	2238	(29)
1997	2267	(8)
1996	2275	

Student enrollment is important to the financial health of the District because state funding is based on a per pupil formula.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year 2006, the District had \$28,635,335 invested in land and building, furniture and equipment, vehicles and buses compared to \$28,556,828 at June 30, 2005. Of this amount, \$9,954,054 and \$9,294,697 has been depreciated at June 30, 2006 and June 30, 2005 respectively. Net book value totaled \$18,681,281 at June 30, 2006, and \$19,262,131 at June 30, 2005. Due to budget constraints related to declining enrollment and the State of Michigan financial status, the ability to maintain these buildings is becoming increasingly difficult. The District maintains a \$5,000 threshold for capitalization of assets.

### Outstanding Debt at Year End

As of June 30, 2006 the District had \$19,320,222 in bonds outstanding, compared to \$20,087,759 at June 30, 2005. The District collects bonded debt across the total property values. Therefore, total growth in valuation is an important element in determining the District's ability to retire bonded debt and/or to incur additional bond debt.

Breitung Township School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2006

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This report is designed to give an overview of the financial conditions of the Breitung Township School District. For additional detailed financial information contact:

Douglas M. Massignan  
Business Manager  
Breitung Township School District  
2000 Pyle Drive  
Kingsford, MI 49802  
Office Telephone (906) 779-2650  
Fax Telephone (906) 779-9017  
Email: [dmassignan@kingsford.org](mailto:dmassignan@kingsford.org)

# BREITUNG TOWNSHIP SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

June 30, 2006

	<u>Governmental Activities</u>
ASSETS:	
Current assets:	
Cash and equivalents	\$ 121,486
Investments	2,964,342
Accounts receivable	18,222
Due from other governments	1,651,461
Inventory	28,332
Prepaid expenses	<u>7,353</u>
Total current assets	<u>4,791,196</u>
Noncurrent assets:	
Other assets	41,268
Capital assets	28,635,335
Accumulated depreciation	<u>(9,954,054)</u>
Total noncurrent assets	<u>18,722,549</u>
TOTAL ASSETS	<u>23,513,745</u>
LIABILITIES:	
Current liabilities:	
Bank overdraft	124,537
Accounts payable	41,680
Accrued wages	861,034
Accrued interest	188,598
Accrued expenses	226,037
Deferred revenue	4,944
Notes payable	2,000,000
Compensated absences	41,864
Early retirement	118,805
Bonds payable	<u>1,498,177</u>
Total current liabilities	<u>5,105,676</u>
Noncurrent liabilities:	
Compensated absences	13,700
Early retirement	94,750
Bonds payable	<u>17,822,045</u>
Total noncurrent liabilities	<u>17,930,495</u>
TOTAL LIABILITIES	<u>23,036,171</u>

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



**BREITUNG TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS**

June 30, 2006

	<u>Governmental Activities</u>
NET ASSETS:	
Invested in capital assets, net of related debt	(638,941)
Restricted for debt service	424,814
Unrestricted	<u>691,701</u>
 TOTAL NET ASSETS	 <u>\$ 477,574</u>





ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

**BREITUNG TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2006

	Program Revenue				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Primary Government
					Governmental Activities
<b>FUNCTIONS/PROGRAMS</b>					
<b>PRIMARY GOVERNMENT:</b>					
Governmental Activities:					
Instruction	\$ 9,177,572	\$ 9,166	\$ 389,652	\$ -	\$ (8,778,754)
Support	4,762,142	17,939	-	-	(4,744,203)
Community service	124,011	130,778	-	-	6,767
School service	1,193,771	497,467	397,397	-	(298,907)
Depreciation	659,357	-	-	-	(659,357)
Debt interest, fees and expenses	1,347,439	-	-	-	(1,347,439)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>17,264,292</b>	<b>655,350</b>	<b>787,049</b>	<b>-</b>	<b>(15,821,893)</b>
General revenues:					
Property taxes					\$ 6,483,617
State revenue sharing					9,103,930
Grants and contributions not restricted to specific programs					70,051
Unrestricted investment earnings					163,680
Other					61,767
Total general revenues and transfers					15,883,045
Changes in net assets					61,152
Net assets, beginning of year					416,422
Net assets, end of year					\$ 477,574

The accompanying notes to the financial statements are an integral part of this statement.

**BREITUNG TOWNSHIP SCHOOL DISTRICT****BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2006

	General	Public Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash and equivalents	\$ 17,593	\$ 26,133	\$ 77,760	\$ 121,486
Investments	1,982,730	656,056	325,556	2,964,342
Accounts receivable	800	-	17,422	18,222
Due from other governments	1,651,461	-	-	1,651,461
Due from other funds	24,670	-	-	24,670
Prepaid expenses	7,353	-	-	7,353
Inventory	16,739	-	11,593	28,332
Other assets	-	-	41,268	41,268
<b>TOTAL ASSETS</b>	<b>\$ 3,701,346</b>	<b>\$ 682,189</b>	<b>\$ 473,599</b>	<b>\$ 4,857,134</b>
<b>LIABILITIES:</b>				
State aid anticipation notes	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
Bank overdraft	124,537	-	-	-
Accounts payable	39,870	-	1,810	41,680
Accrued salaries	861,034	-	-	861,034
Accrued expenses	206,267	-	19,770	226,037
Due to other funds	-	-	24,670	24,670
Deferred revenue	2,409	-	2,535	4,944
<b>TOTAL LIABILITIES</b>	<b>3,234,117</b>	<b>-</b>	<b>48,785</b>	<b>3,158,365</b>
<b>FUND BALANCE AND OTHER CREDITS:</b>				
Fund balances:				
Reserved	-	682,189	424,814	1,107,003
Unreserved				
Undesignated	467,229	-	-	467,229
<b>TOTAL FUND BALANCE AND OTHER CREDITS</b>	<b>467,229</b>	<b>682,189</b>	<b>424,814</b>	<b>1,574,232</b>
<b>TOTAL LIABILITIES, FUND BALANCE AND OTHER</b>	<b>\$ 3,701,346</b>	<b>\$ 682,189</b>	<b>\$ 473,599</b>	<b>\$ 4,857,134</b>

The accompanying notes to the financial statements are an integral part of this statement.



**BREITUNG TOWNSHIP SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

For the Year Ended June 30, 2006

Total fund balances for governmental funds	\$ 1,574,232
--	--------------

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Total capital assets	28,635,335	
Accumulated depreciation	(9,954,054)	
Net capital assets		18,681,281

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Accrued interest on long-term debt	\$ (188,598)	
Bonds payable	(19,320,222)	
Teachers early retirement	(213,555)	
Compensated absences	<u>(55,564)</u>	<u>(19,777,939)</u>
Total net assets of governmental activities		\$ <u>477,574</u>



**BREITUNG TOWNSHIP SCHOOL DISTRICT****STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2006

	General	Public Improvement	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Local sources	\$ 4,718,312	\$ 30,260	\$ 2,771,920	\$ 7,520,492
State sources	9,043,296	-	99,982	9,143,278
Federal sources	299,760	-	267,503	567,263
TOTAL REVENUES	14,061,368	30,260	3,139,405	17,231,033
EXPENDITURES:				
Instruction	9,147,875	-	-	9,147,875
Supporting services	4,653,773	193,395	-	4,847,168
Debt service	-	-	2,208,500	2,208,500
School service	-	-	1,193,771	1,193,771
Community services	124,011	-	-	124,011
TOTAL EXPENDITURES	13,925,659	193,395	3,402,271	17,521,325
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	135,709	(163,135)	(262,866)	(290,292)
OTHER FINANCING SOURCES (USES):				
Payments received from other governmental units	90,351	-	-	90,351
Other sources	4,060	-	-	4,060
Transfers in	-	-	251,342	251,342
Payments to other governmental units	(170,510)	-	-	(170,510)
Transfers out	(251,342)	-	-	(251,342)
TOTAL OTHER FINANCING SOURCES (USES)	(327,441)	-	251,342	(76,099)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(191,732)	(163,135)	(11,524)	(366,391)
FUND BALANCE, JULY 1	658,961	845,324	436,338	1,940,623
FUND BALANCE, JUNE 30	\$ 467,229	\$ 682,189	\$ 424,814	\$ 1,574,232

The accompanying notes to the financial statements are an integral part of this statement.



**BREITUNG TOWNSHIP SCHOOL DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2006

Net changes in fund balances – total governmental funds	\$(366,391)
---	-------------

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense \$(659,357) exceeded capital outlay \$78,507.	(580,850)
---	-----------

Bond and loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Principal repayments:

Bond principal	767,537	
Loans-lease purchases	<u>12,771</u>	780,308

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Early retirement obligation	127,705
Compensated absences	6,856
Accrued interest	<u>93,524</u>
Changes in net assets of governmental activities	\$ <u>61,152</u>



**BREITUNG TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

June 30, 2006

	Trust Funds		Agency Fund
	Expendable Trust	Non-Expendable Trust	Student Activity
ASSETS:			
Cash and investments	\$ 381,918	\$ 841,414	\$ 83,600
LIABILITIES:			
Accounts payable	-	-	-
Due to student groups	-	-	83,600
TOTAL LIABILITIES	-	-	83,600
NET ASSETS:			
Held in trust for scholarships	\$ 381,918	\$ 841,414	\$ -

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.

**BREITUNG TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

For the Year Ended June 30, 2006

	Trust Funds	
	Expendable Trust	Non-Expendable Trust
ADDITIONS:		
Interest/dividends earned	\$ 45,731	\$ -
Contributions	74,297	58,750
Unrealized gain (loss) on investments	90,171	-
TOTAL ADDITIONS	210,199	58,750
DEDUCTIONS:		
Administrative fees	7,557	-
Scholarships awarded	49,808	500
TOTAL DEDUCTIONS	57,365	500
Change in net assets	152,834	58,250
NET ASSETS, BEGINNING OF YEAR	229,084	783,164
NET ASSETS, END OF YEAR	<u>\$ 381,918</u>	<u>\$ 841,414</u>

The accompanying notes to the financial statements are an integral part of this statement.

## **BREITUNG TOWNSHIP SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Breitung Township School District ("District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Certain of the significant changes in the statement include the following:

An Administration's Discussion and Analysis section providing an analysis of the District's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all the District's activities.

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District has elected to implement the provisions of the Statement.

#### **A. Reporting Entity**

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it has been determined that there are no component units of the Breitung Township School District.

#### **B. Basic Financial Statements – Government-Wide Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities except for fiduciary activities.





## **BREITUNG TOWNSHIP SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **B. Basic Financial Statements – Government-Wide Statements (Continued)**

In the government-wide Statement of Net Assets, both the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.).

The District does not allocate indirect costs. In creating the government-wide financial statements the District has eliminated interfund transactions.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities,

##### **C. Basic Financial Statements – Fund Financial Statements**

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into generic fund types in two broad fund categories as follows:

Governmental Funds - Governmental funds are used to account for the acquisition, use and balances of expendable financial resources and the related current liabilities, except for those accounted for in fiduciary funds. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

General Fund - The General Fund is the primary operating fund of the District. It is used to account for all financial transactions of the District, except those required to be accounted for in other funds.

## **BREITUNG TOWNSHIP SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **C. Basic Financial Statements – Fund Financial Statements (Continued)**

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are legally restricted to expenditures for specified purposes. The District uses the Special Revenue Fund to account for the Breitung Township School District's activity.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Project Funds – Capital Project Funds are used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Fiduciary Funds – Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement.

Expendable Trust Fund – The expendable trust fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent.

Non-Expendable Trust Fund – The non-expendable trust fund is accounted for utilizing the accrual method of accounting. Non-expendable trust funds account for assets of which the principal may not be spent.

Agency Fund – The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity (primarily student activities).

Account Groups - Account groups are used to establish accounting control and accountability for the District's general fixed assets and long-term obligations. The following are the District's account groups:

General Fixed Assets – This group of accounts was established to account for all general fixed assets of the District.

General Long-Term Obligations - This group of accounts has been established to account for unmatured general long-term obligations and certain other liabilities of the District not expected to be liquidated through the use of available expendable financial resources.



## **BREITUNG TOWNSHIP SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **D. Measurement Focus and Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus. The governmental-wide statement uses the economic resources measurement focus.

##### **Accrual**

Governmental activity in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

##### **Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available (susceptible to accrual). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after the year end. A one year period is used for revenue recognition for all other governmental fund revenues. Those revenues prone to accrual are property taxes, federal aid, interest-revenue, and charges for services.

The District reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

State Foundation Revenue - For the fiscal year ended June 30, 2006, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. In previous years, the state utilized a district power equalizing approach. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on the average of pupil membership counts taken in February and September of 2005.



## **BREITUNG TOWNSHIP SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **D. Measurement Focus and Basis of Accounting (Continued)**

Expenditures and related liabilities are recognized when obligations are incurred as a result of the receipt of goods and services. Modifications include:

Principal and interest on general long-term debt are recorded as fund liabilities when due, or when amounts have been accumulated in the debt service fund for payments of principal and interest to be made early in the following year.

##### **E. Cash and Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. Cash and equivalent balances for individual funds are pooled unless maintained in segregated accounts.

##### **F. Interfund Balances and Transfers**

The current portion of lending/borrowing arrangements between funds are identified as "due to/from other funds". The non-current portion of outstanding balances between funds are reported as "advances to/from other funds". Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources.

Transfers represent a flow of assets without equivalent flows of assets in return or a requirement for repayment.

##### **G. Inventories and Prepaid Items**

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the Special Revenue Fund consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

##### **H. Capital Assets**

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

## **BREITUNG TOWNSHIP SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **H. Capital Assets (Continued)**

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

The District has adopted a capitalization policy of \$5,000.

##### **I. Long-Term Debt**

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

##### **J. Compensated Absences**

Amounts representing accumulated vacation and personal leave expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the government fund that will pay it.

##### **K. Property Taxes**

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized as revenue when levied to the extent they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

The District, along with certain other governmental units, is permitted by the Constitution of the State of Michigan of 1963 to levy combined taxes up to \$50 per \$1,000 of assessed valuation for general governmental services other than the payment of Debt Service Fund expenses if approved by a majority of the electors. The District must include certain tax levies of other governmental units located within the District, primarily the county, when determining the maximum millage of \$50 per \$1,000 of assessed valuation. For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of assessed valuation:



## **BREITUNG TOWNSHIP SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **K. Property Taxes (Continued)**

###### **Fund Mills**

General Fund - Non-Homestead	18.0
Debt Retirement	5.1

##### **L. Unemployment Insurance**

The District reimburses the Michigan Employment Security Commission (MESC) for the actual amount of unemployment benefits disbursed by the MESC on behalf of the District. Billings received for amounts paid by the MESC through June 30 are accrued.

##### **M. Fund Balance**

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of net current assets does not constitute "available spendable resources". Designated fund balances represents amounts set aside by the governing body for specific purposes such as capital improvements.

##### **N. Budgets**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end. The District follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budget is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - all governmental fund types.
2. Public hearings are conducted to obtain taxpayer comments.



## **BREITUNG TOWNSHIP SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **N. Budgets (Continued)**

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget, or in excess of the amount appropriated. Any material expenditures in violation of the budgeting act are disclosed in the footnotes.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.

The budget for the year ended June 30, 2006 was adopted on June 13, 2005 and formally amended on November 7, 2005, and March 13, 2006.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

#### **NOTE 2 - CASH AND EQUIVALENTS- CREDIT RISK**

##### **Deposits**

The District's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Petty cash	\$ 550
Checking accounts	<u>120,936</u>
TOTAL	<u>\$121,486</u>



## **BREITUNG TOWNSHIP SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

#### **NOTE 2 - CASH AND EQUIVALENTS- CREDIT RISK (Continued)**

##### Deposit Risk

*Custodial credit risk.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of June 30, 2006, the District's deposits were uninsured and uncollateralized in the amount of \$80,132.

##### Investments

The District's investments, as reported in the Statement of Net Assets, consisted of the following:

Michigan Liquid Asset Fund (MILAF)	<u>\$2,964,342</u>
------------------------------------	--------------------

Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Investments are recorded at fair market value, which is based on quoted market prices.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investments are with the Michigan Liquid Asset Fund (MILAF) which consists of different funds including mutual funds with a high degree of liquidity, thus the District's investments are not subject to interest rate risk.





# **BREITUNG TOWNSHIP SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

### **NOTE 3 - INTERFUND BALANCES AND TRANSFERS**

Interfund receivables and payables for the year ended June 30, 2006 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	<u>\$24,670</u>	Nonmajor governmental	<u>\$24,670</u>

Interfund transfers for the year ended June 30, 2006 are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Nonmajor governmental	<u>\$251,342</u>	General Fund	<u>\$251,342</u>

### **NOTE 4 - CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2006 follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Sites	\$ 376,249	\$ -	\$ -	\$ 376,249
Buildings	25,898,397	54,350	-	25,952,747
Equipment and vehicles	<u>2,282,182</u>	<u>24,157</u>	-	<u>2,306,339</u>
		-		
TOTALS	28,556,828	<u>78,507</u>	-	28,635,335
Accumulated Depreciation	<u>(9,294,697)</u>	<u>\$ (659,357)</u>	<u>\$ -</u>	<u>(9,954,054)</u>
Net Fixed Assets	<u>\$ 19,262,131</u>			<u>\$18,681,281</u>

Depreciation for the year ended June 30, 2006, amounted to \$659,357. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.



# **BREITUNG TOWNSHIP SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

### **NOTE 5 – LONG-TERM OBLIGATIONS**

During the year ended June 30, 2006, the following changes occurred in long-term obligations:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Amounts Due Within One Year
General Obligation Bonds	\$20,087,759	\$ -	\$(767,537)	\$ 19,320,222	\$ 1,498,177
Capital Leases	12,771	-	(12,771)	-	-
Employee Benefits:					
Teachers Early Retirement	341,260	-	(127,705)	213,555	118,805
Vested Sick and Vacation	62,420	-	(6,856)	55,564	41,864
<b>TOTALS</b>	<u>\$20,504,210</u>	<u>\$ -</u>	<u>\$(914,869)</u>	<u>\$ 19,589,341</u>	<u>\$ 1,658,846</u>

### **NOTE 6 - BONDS AND NOTES PAYABLE**

Long-term obligations at June 30, 2006 is comprised of the following amounts:

1. 1997 School Building Bonds due in annual installments of \$65,000 to \$230,000 through May 1, 2019 with interest at 2.25% to 4.9%. \$ 1,765,000
  2. 1998 Durant Bonds due in annual installments from \$13,107 to \$23,356 through May 15, 2013, with interest at 4.76%. 110,222
- The annual State of Michigan appropriation is the only revenue source for making the annual payments on the Durant Bonds. The District is under no obligation to make the annual payment in any year the legislature fails to appropriate the proper amount of funds.
3. 2002 Refunding Bonds due in annual installments of \$25,000 to \$1,345,000 through May 1, 2019 with interest at 2.9% to 6.3%. 9,050,000
  4. 2003 Refunding Bonds due in annual installments of \$304,567 to \$1,454,175 through May 1, 2012 with interest at 3% to 3.5%. 8,395,000
  5. A commitment to pay equal monthly installments for each year beginning September 1 of the first school year of retirement. On January 1 of each year during which the retirement incentive is due the retiree may elect to receive the entire amount due for that calendar year in a lump sum. 213,555
  6. Vested sick and vacation pay. 55,564

**TOTAL LONG-TERM OBLIGATIONS**

**\$ 19,589,341**



# **BREITUNG TOWNSHIP SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

### **NOTE 6 - BONDS AND NOTES PAYABLE (Continued)**

The annual requirements to amortize long-term obligations outstanding as of June 30, 2006 are as follows:

Year Ended June 30	Bond Issues and Installment Notes		Early Retirement Commitment	Vested Sick and Vacation	Total
	Principal	Interest			
2007	\$ 1,498,177	\$ 795,001	\$ 118,805	\$ 41,864	\$ 2,453,847
2008	1,509,916	732,024	55,250	-	2,297,190
2009	1,555,389	684,914	37,250	-	2,277,553
2010	1,605,883	36,681	2,250	-	1,644,814
2011	1,661,401	582,805	-	-	2,244,206
2012-2016	7,679,456	1,955,122	-	13,700	9,648,278
2017-2021	3,810,000	417,754	-	-	4,227,754
TOTALS	<u>19,320,222</u>	<u>5,204,301</u>	<u>213,555</u>	<u>\$ 55,564</u>	<u>\$ 24,793,642</u>

Interest expense for the year ended June 30, 2006 was \$1,437,556.

### **NOTE 7 - COMPENSATED ABSENCES**

At June 30, 2006 accumulated non-vested sick time amounted to \$121,633. Non-vested, unused sick time does not vest and so is not included in the general long-term debt account group.

### **NOTE 8 - FUND BALANCES**

Portions of fund balances are reserved or designated and not available for general purposes other than fund usage as follows:

	<u>Reserved</u>
Public Improvement	\$ 682,189
Debt Service	<u>424,814</u>
TOTAL	<u>\$1,107,003</u>



## **BREITUNG TOWNSHIP SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

#### **NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

**Plan Description** – The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer, defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

**Funding Policy** – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 14.87 percent for the period July 1, 2005 through September 30, 2005 and 16.34 percent for October 1, 2005 through June 30, 2006 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The District's contributions to the MPERS plan for the years ended June 30, 2006, 2005, and 2004 were \$1,418,270, \$1,328,205, and \$1,203,563.

**Post Employment Benefits** – Under the MPERS Act, all retirees participating in the MPERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost of Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPERS plan discussed above.

#### **NOTE 10 - RISK MANAGEMENT**

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participated in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said year, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.



## **BREITUNG TOWNSHIP SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

#### **NOTE 11 - USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **NOTE 12 - SIGNIFICANT ESTIMATES**

Included in footnote 9 is a summary of the employee retirement plan provisions and actuarial assumptions. The actuarial assumptions are very critical to the computation of actuarial determined liabilities of the plan. If the assumptions differ from actual results annual contributions to the defined benefit plan can substantially change.

#### **NOTE 13 - NOTES PAYABLE**

State Aid Anticipation Note due to the Michigan Municipal Bond Authority in the amount of \$2,000,000. The Note is secured by State Aid payments and is subject to an interest rate of 2.92% and matures August 18, 2006. The Note was used for operational costs.

During the year ended June 30, 2006, the following changes occurred in notes payable:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
State Aid Anticipation Note	<u>\$2,000,000</u>	<u>\$2,000,000</u>	<u>\$(2,000,000)</u>	<u>\$2,000,000</u>



**REQUIRED SUPPLEMENTAL INFORMATION**

# **BREITUNG TOWNSHIP SCHOOL DISTRICT**

## **SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**

For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis) (Note 1)
	<u>Original</u>	<u>Final</u>	
REVENUES:			
Local sources	\$ 4,564,236	\$ 4,704,565	\$ 4,718,312
State sources	9,195,245	9,020,887	9,043,296
Federal sources	312,985	293,465	299,760
<b>TOTAL REVENUES</b>	<b>14,072,466</b>	<b>14,018,917</b>	<b>14,061,368</b>
EXPENDITURES:			
Instruction	9,201,243	9,246,195	9,147,875
Supporting services	4,833,353	4,761,738	4,653,773
Community services	119,800	122,500	124,011
<b>TOTAL EXPENDITURES</b>	<b>14,154,396</b>	<b>14,130,433</b>	<b>13,925,659</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(81,930)	(111,516)	135,709
OTHER FINANCING SOURCES (USES):			
Payments received from other governmental units	54,374	114,863	90,351
Other sources	200	3,850	4,060
Payments to other governmental units	(197,800)	(170,550)	(170,510)
Transfers out	(271,198)	(242,315)	(251,342)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(414,424)</b>	<b>(294,152)</b>	<b>(327,441)</b>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(496,354)	(405,668)	(191,732)
FUND BALANCE, JULY 1	658,961	658,961	658,961
FUND BALANCE, JUNE 30	\$ 162,607	\$ 253,293	\$ 467,229

The accompanying notes to the financial statements are an integral part of this statement.



**OTHER SUPPLEMENTAL INFORMATION**



**BREITUNG TOWNSHIP SCHOOL DISTRICT**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2006

	Food Service	Athletics	Durant	1993 Issue
ASSETS:				
Cash and equivalents	\$ -	\$ -	\$ -	\$ 38,625
Investments	-	-	-	15
Accounts receivable	6,833	10,589	-	-
Inventory	11,593	-	-	-
Other assets	-	-	-	-
TOTAL ASSETS	<u>\$ 18,426</u>	<u>\$ 10,589</u>	<u>\$ -</u>	<u>\$ 38,640</u>
LIABILITIES:				
Accounts payable	\$ -	\$ 1,810	\$ -	\$ -
Accrued expenses	-	-	-	-
Deferred revenues	2,535	-	-	-
Due to other funds	15,891	8,779	-	-
TOTAL LIABILITIES	<u>18,426</u>	<u>10,589</u>	<u>-</u>	<u>-</u>
FUND BALANCE AND OTHER CREDITS:				
Fund balances:				
Reserved	-	-	-	38,640
TOTAL LIABILITIES, FUND BALANCE AND OTHER	<u>\$ 18,426</u>	<u>\$ 10,589</u>	<u>\$ -</u>	<u>\$ 38,640</u>



**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS



1997 Issue	2002 Issue	2003 Issue	Total Nonmajor Governmental Funds
\$ 9,987	\$ 19,861	\$ 9,287	\$ 77,760
89,060	92,243	144,238	325,556
-	-	-	17,422
-	-	-	11,593
-	41,268	-	41,268
<u>\$ 99,047</u>	<u>\$ 153,372</u>	<u>\$ 153,525</u>	<u>\$ 473,599</u>
\$ -	\$ -	\$ -	\$ 1,810
-	-	19,770	19,770
-	-	-	2,535
-	-	-	24,670
-	-	19,770	48,785
<u>99,047</u>	<u>153,372</u>	<u>133,755</u>	<u>424,814</u>
<u>\$ 99,047</u>	<u>\$ 153,372</u>	<u>\$ 153,525</u>	<u>\$ 473,599</u>

The accompanying notes to the financial statements are an integral part of this statement.

**BREITUNG TOWNSHIP SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2006

	Food Service	Athletics	Durant
REVENUES:			
Local sources	\$ 415,234	\$ 172,819	\$ -
State sources	47,525	39,348	13,109
Federal sources	267,503	-	-
TOTAL REVENUES	730,262	212,167	13,109
EXPENDITURES:			
Debt service	-	-	13,109
School service	746,935	446,836	-
TOTAL EXPENDITURES	746,935	446,836	13,109
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,673)	(234,669)	-
OTHER FINANCING SOURCES (USES):			
Transfers in	16,673	234,669	-
TOTAL OTHER FINANCING SOURCES (USES)	16,673	234,669	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	-
FUND BALANCE, JULY 1	-	-	-
FUND BALANCE, JUNE 30	\$ -	\$ -	\$ -



**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

1993 Issue	1997 Issue	2002 Issue	2003 Issue	Total Nonmajor Governmental Funds
\$ 1,192,712	\$ 220,127	\$ 484,731	\$ 286,297	\$ 2,771,920
-	-	-	-	99,982
-	-	-	-	267,503
<u>1,192,712</u>	<u>220,127</u>	<u>484,731</u>	<u>286,297</u>	<u>3,139,405</u>
1,230,000	214,338	483,378	267,675	2,208,500
-	-	-	-	1,193,771
<u>1,230,000</u>	<u>214,338</u>	<u>483,378</u>	<u>267,675</u>	<u>3,402,271</u>
(37,288)	5,789	1,353	18,622	(262,866)
-	-	-	-	251,342
-	-	-	-	251,342
(37,288)	5,789	1,353	18,622	(11,524)
<u>75,928</u>	<u>93,258</u>	<u>152,019</u>	<u>115,133</u>	<u>436,338</u>
<u>\$ 38,640</u>	<u>\$ 99,047</u>	<u>\$ 153,372</u>	<u>\$ 133,755</u>	<u>\$ 424,814</u>

The accompanying notes to the financial statements are an integral part of this statement.

**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS



**BREITUNG TOWNSHIP SCHOOL DISTRICT**

**FEDERAL SINGLE AUDIT REPORTS**

For the Year Ended June 30, 2006

**BREITUNG TOWNSHIP SCHOOL DISTRICT**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Education  
Breitung Township School District  
Kingsford, Michigan

We have audited the financial statements of the Breitung Township School District as of and for the year ended June 30, 2006, and have issued our report thereon dated September 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Breitung Township School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Breitung Township School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants

Iron Mountain, Michigan  
September 27, 2006



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

Board of Education  
Breitung Township School District  
Kingsford, Michigan

**Compliance**

We have audited the compliance of the Breitung Township School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Breitung Township School District's major federal programs are identified in the Summary of Auditors' Results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Breitung Township School District's management. Our responsibility is to express an opinion on the Breitung Township School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Breitung Township School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Breitung Township School District's compliance with those requirements.

In our opinion, the Breitung Township School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

**Internal Control Over Compliance**

The management of the Breitung Township School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Breitung Township School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants, that would be material in relation to a major federal program being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants

Iron Mountain, Michigan  
September 27, 2006

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



**BREITUNG TOWNSHIP SCHOOL DISTRICT**

**SCHEDULE OF FEDERAL FINANCIAL AWARDS**

For the Year Ended June 30, 2006

<u>Awarding Agency/ Award Description</u>	<u>Federal Catalog Number</u>	<u>Approved Grant Award Amount</u>	<u>July 1, 2005</u>	
			<u>Accrued Receivable</u>	<u>Deferred Revenue</u>
<u>GENERAL FUND</u>				
Flow Through - Michigan <u>Department of Education</u>				
<u>U.S. Department of Education</u>				
<u>Title VI</u> Source Project #0602500506	84.298	<u>794</u>	<u>-</u>	<u>-</u>
<u>Title I</u> Source Project #0615300506	84.010	<u>169,594</u>	<u>-</u>	<u>-</u>
<u>Improving Teacher Quality</u> Source Project #0605200506	84.367	<u>75,913</u>	<u>-</u>	<u>-</u>
<u>Technology Literacy Challenge</u> Source Project #0642900506	84.318	<u>3,164</u>	<u>-</u>	<u>-</u>
<b>TOTAL MICHIGAN DEPARTMENT OF EDUCATION</b>		<u><b>249,465</b></u>	<u>-</u>	<u>-</u>
Flowthrough Michigan State Police State Homeland Security Grant	97.004	<u>4,001</u>	<u>-</u>	<u>-</u>
<u>Flow Through DIISD</u>				
<u>94-142 Flow Through</u> Source Project #0604500506	84.027	<u>46,294</u>	<u>-</u>	<u>-</u>
<b>TOTAL US DEPARTMENT OF EDUCATION AND GENERAL FUND</b>		<u><b>\$ 299,760</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>



**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS



<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts</u>	<u>June 30, 2006 Accrued / (Deferred) Revenue</u>
-	794	794	-
-	169,594	169,594	-
-	75,913	75,913	-
-	3,164	3,164	-
-	249,465	249,465	-
-	4,001	4,001	-
-	46,294	46,294	-
<u>\$ -</u>	<u>\$ 299,760</u>	<u>\$ 299,760</u>	<u>\$ -</u>

The accompanying notes to the financial statements are an integral part of this statement.

**BREITUNG TOWNSHIP SCHOOL DISTRICT**

**SCHEDULE OF FEDERAL FINANCIAL AWARDS**

For the Year Ended June 30, 2006

Awarding Agency/ Award Description	Federal Catalog Number	Approved Grant Award Amount	July 1, 2005	
			Accrued Receivable	Deferred Revenue
<u>FOOD SERVICE FUND</u>				
Flow Through - Michigan <u>Department of Education</u>				
<u>U.S. Department of Agriculture</u>				
<u>National School Lunch</u>				
<u>Lunch Program</u>	10.555	\$ 186,888	\$ -	-
<u>Breakfast Program</u>	10.553	38,303	-	-
<u>Food Distribution</u>	10.550			
Entitlement Commodities		32,820	-	3,658
Bonus Commodities		8,370	-	-
		<u>266,381</u>	<u>-</u>	<u>3,658</u>
 TOTAL MICHIGAN DEPARTMENT OF EDUCATION, US DEPARTMENT OF AGRICULTURE AND FOOD SERVICE FUND				
		<u>266,381</u>	<u>-</u>	<u>3,658</u>
 TOTAL FEDERAL AWARDS				
		<u>\$ 566,141</u>	<u>\$ -</u>	<u>\$ 3,658</u>



**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts</u>	<u>June 30, 2006 Accrued / (Deferred) Revenue</u>
\$ -	\$ 186,888	\$ 186,888	\$ -
-	38,303	38,303	-
-	33,943	32,820	(2,535)
-	8,370	8,370	-
-	<u>267,504</u>	<u>266,381</u>	<u>(2,535)</u>
-	<u>267,504</u>	<u>266,381</u>	<u>(2,535)</u>
<u>\$ -</u>	<u>\$ 567,264</u>	<u>\$ 566,141</u>	<u>\$ (2,535)</u>

The accompanying notes to the financial statements are an integral part of this statement.

**BREITUNG TOWNSHIP SCHOOL DISTRICT**

**NOTES TO SCHEDULE OF FEDERAL FINANCIAL AWARDS**

For the Year Ended June 30, 2006

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards is a summary of the activity of the Breitung Township School District's federal award programs and presents transactions that are included in the financial statements of the District presented on the accrual basis of accounting, as contemplated by accounting principles generally accepted in the United States of America.

**NOTE 2 - FOOD DISTRIBUTION**

Non-monetary assistance is reported in the schedule using Recipient Entitlement Balance Report and other district records. Spoilage of pilferage, if any, is included in expenditures.

**NOTE 3 - COST REPORTS**

Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports.

**NOTE 4 - GRANTS SECTION AUDITORS' REPORT**

Management has utilized the Grants Section Auditors' Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



## **BREITUNG TOWNSHIP SCHOOL DISTRICT**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2006

#### **A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion of the general purpose financial statements of the Breitung Township School District.
2. There were no reportable conditions relating to the audit of the general purpose financial statements.
3. There were no instances of noncompliance material to the general purpose financial statements of the Breitung Township School District.
4. There were no reportable conditions relating to the audit of the major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Breitung Township School District expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the Breitung Township School District.
7. The program tested as a major program is: CFDA No. 84.010 Title I.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Breitung Township School District was determined to be a low-risk auditee.

#### **B. FINDINGS – FINANCIAL STATEMENT AUDIT**

1. There were no findings or questioned costs.

#### **C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

1. There were no findings or questioned costs.

#### **D. SUMMARY OF PRIOR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

1. There were no prior findings or questioned costs.

